INTERNATIONAL RESEARCH STARS

ISSN: 2583-276X (Online)
Volume: 4, Issue: 1, Jan -March, 2025

EVALUATING FINANCIAL PERFORMANCE THROUGH RATIO ANALYSIS ATAPEX FOOT WEAR PVT LTD CHILLAKUR

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ABSTRACT

The primary aim of this study is to conduct a comprehensive analysis of the financial performance of Apex footwear pvt ltd using various financial ratios for the period 2020–2024. The research focuses on evaluating the company’s liquidity, solvency, operational efficiency, and profitability to assess its financial health and stability. Liquidity ratios are analyzed to determine the firm’s ability to meet short-term obligations, while solvency ratios provide insights into its capacity to handle long-term financial commitments. Turnover ratios are employed to examine operational efficiency, reflecting how effectively the company utilizes its assets to generate revenue. Profitability ratios are used to assess the company’s ability to generate profit relative to its resources and investments. Together, these metrics offer a clear, data-driven perspective on the company’s financial soundness and sustainability. The study aims to assist stakeholders in making informed financial decisions by providing a balanced view of the company’s performance over the selected years.

Keywords: Liquidity, Profitability, Solvency, Efficiency.

INTRODUCTION

Apex,” an Indian tribe known for its fearlessness and toughness, along with their bravery, wisdom, and daring spirits have made them strong when they were once weak. Ever since then, the “Apex” tribe has become the symbol of victory and wisdom, and its influence lingers on. Passing on the spirit of perpetual perfection, Apex India was born on 24th of February 2006. Located in Tada, Nellore District, Andhra Pradesh. It is a large-scaled foreign-invested enterprise with a plant that takes up 314 acres of area. We’re manufacturing the famous Adidas sports shoes. Our products are exported worldwide, with the spirit of bravery and wisdom that “Apex” symbolized, Apex India plans to grow into a large corporation that owns a technologically advanced R&D team and conveyance plants, and possesses over 40 complete production units with 20,000 employees that generates an average monthly volume of two million pairs of shoe. The company profile of Apex serves as a vital tool for understanding its operational scope, core competencies, and strategic vision within the industry. It highlights key aspects such as the company’s history, mission, products or services, market presence, and achievements, offering stakeholders a clear snapshot of its identity and capabilities. This profile is crucial for attracting potential investors, partners, clients, and employees by building trust and credibility. It also enables benchmarking against competitors and helps in identifying growth opportunities. Overall, the Apex Company profile acts as a gateway to the organization’s strengths and business potential. The shoe industry holds significant importance both economically and socially, as it caters to a basic human need while also reflecting fashion, culture, and innovation. It provides employment to millions worldwide, from manufacturing and design to retail and marketing. The industry contributes substantially to global trade and economic development, especially in countries where shoe production is a major export sector. Technological advancements in materials and design have also positioned the shoe industry at the forefront of innovation in comfort, performance, and sustainability. Moreover, footwear plays a crucial role in health and lifestyle, influencing mobility and overall well-being. Ratio analysis is a quantitative tool used to evaluate a company's financial performance and position. It involves calculating and interpreting various financial ratios to assess liquidity, profitability, efficiency, and solvency. By applying ratio analysis, stakeholders can gain valuable insights into a company's strengths, weaknesses, and areas for improvement. Ratio analysis plays a vital role in investment decision-making and should be consistently considered. Given the dynamic nature of the business environment, it is essential to provide stakeholders with clear, data-driven insights to support informed business investment decisions Ratio analysis is a widely used and highly effective method for assessing the performance of businesses across the globe Liquidity ratios, such as the current and quick ratios, assess a firm's short-term ability to meet obligations. Profitability ratios, including return on equity (ROE) and net profit margin, help evaluate a firm's ability to generate earnings relative to sales, assets, and Efficiency ratios, such as inventory turnover, examine how effectively resources are. Solvency ratios, like the debt-to-equity ratio, measure long-term financial stability. Market ratios, including price-to-earnings (P/E) ratio, give insight into investor perceptions. Ratio analysis also assists in detecting financial red flags and potential insolvency issues. It forms the foundation of many credit decisions made by banks and financial institutions. Although widely used, ratio analysis has limitations. It is based on historical data, which may not always predict future trends. Industry-specific benchmarks can also limit its comparability across sectors. Additionally, variations in accounting policies may distort comparisons. Despite these limitations, ratio analysis remains integral to internal management, external investors, and regulatory bodies. It supports strategic planning and performance evaluation. When combined with qualitative analysis, it provides a more comprehensive view of a company's financial well-being.

LITERATURE REVIEW

Bhunia, A., & Khan, I. U. (2011) This study investigates the liquidity management efficiency of Indian steel companies. It applies traditional financial ratios such as current and quick ratios. The authors highlight how poor liquidity can affect operational performance. Their case-study approach compares companies across time. Findings suggest varying levels of efficiency among firms. They recommend stronger financial planning to improve liquidity control.

Horrigan, J. O. (1968) This paper traces the historical development of financial ratio analysis. It explores how ratios evolved from descriptive tools to predictive instruments. Horrigan emphasizes the influence of changing economic needs on analysis methods. The study reviews seminal contributions to financial theory. It provides a conceptual framework for understanding ratio usage over time. Overall, it shows the growing analytical importance of financial ratios.

Gullett, N. S., Kilgore, R. W., & Geddie, M. F. (2018) This research focuses on using financial ratios to assess earnings quality. The study considers accruals, cash flow, and revenue manipulation indicators. It explores how reliable ratios are in detecting earnings management.

ISSN: 2583-276X (Online)
Volume: 4, Issue: 1, Jan -March, 2025

Empirical analysis supports the use of specific ratios for better earnings insight. Authors argue that ratio analysis complements audit procedures.The study supports using financial data as a tool for transparency and governance.

Kumbirai, M., & Webb, R. (2010) This article analyzes financial performance of South African commercial banks. It uses profitability, liquidity, and credit quality ratios over a five-year period. The study finds declining performance post the global financial crisis. It also identifies differences between larger and smaller banks. Ratio analysis proved effective for comparative bank evaluation. The authors suggest continued monitoring for financial stability.

Barnes, P. (1987) This is a review article on the use and interpretation of financial ratios. Barnes critiques common methodological flaws in ratio studies. He argues for more empirical testing and theoretical grounding. The paper discusses the limitations of cross-sectional comparisons. It also examines statistical issues in ratio interpretation. Barnes calls for a more disciplined approach in financial analysis.

Alattar, J. M., & Al-Khater, K. (2008) This study examines user perceptions of corporate annual reports in Qatar. It surveys diverse stakeholder groups, including investors and analysts. The findings highlight a demand for improved financial disclosures. Ratios and financial summaries are viewed as essential by users. The study notes the gap between report content and user expectations. It recommends enhancing clarity and relevance in financial reporting.

Ross, S. A., Westerfield, R., & Jordan, B. D. (1998) This textbook introduces key concepts in corporate finance. It emphasizes the role of financial ratios in decision-making. The authors link ratio analysis to firm valuation and performance. The book covers liquidity, profitability, and leverage measures. It also includes case examples and problem-solving tools. It serves as a foundational guide for students and practitioners alike.

Altman, E. I. (1968) Altman applies discriminant analysis using financial ratios to predict bankruptcy. He develops the Z-score model for identifying failing firms. The model integrates multiple ratios into a predictive framework. Empirical testing shows high accuracy in forecasting insolvency. It revolutionized risk assessment in finance and credit analysis. The study remains a seminal work in financial distress prediction.

Ratio analysis is a crucial tool for evaluating a company's financial performance and health. It provides insights into liquidity, profitability, and efficiency. Recent studies have applied ratio analysis to various industries, including pharmaceuticals. Ratio analysis is used to measure theoretical concepts, control extraneous factors, and correct heteroscedasticity. It helps identify areas for improvement and informs decision-making.

RESEARCH METHODOLOGY

Apex footwear pvt ltd operates in a competitive market, and financial performance plays a crucial role in sustaining profitability, challenges such as fluctuating profitability, changes in liquidity levels, and debt management concern. This study aims to analyze the company’s financial health through ratio analysis. Financial forecasting is an integral part of financial planning. Forecasting uses past data to estimate the future financial requirements. Ratio analysis is a powerful tool of

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financial analysis. Ratios help to summarizes large quantities of financial data and to make qualitative judgement about the firm's financial performance. With the help of ratio's one can determine. The scope of the study on ratio analysis encompasses a comprehensive exploration and evaluation of financial metrics to provide understanding of an organization's financial performance. This study seeks to contribute to the existing body of knowledge by addressing these aspects and offering a more contemporary and holistic perspective on the concept of ratio analysis in financial analysis and decision- making. Further the study is based on last 5 years Annual Reports of Apex footwear pvt ltd.

Objectives

- To study the short-term liquidity positions of company.
- To study the effectiveness of credit management of the company.
- To analyze long term solvency of the business concern.
- To analyze the asset turnover ratio.

RESEARCH DESIGN

This study adopts a descriptive research design to analyze the financial performance of Apex footwear pvt ltd. from 2020 to 2024. The design focuses on examining and interpreting financial statements using tools such as ratio analysis, trend analysis, and comparative financial statements. Secondary data has been collected from the company's annual reports, financial databases, and other reliable sources. The objective is to evaluate the firm's profitability, liquidity, solvency, and overall financial stability.
The study on financial statement analysis of Apex footwear pvt ltd. follows a descriptive research design. It aims to analyze the financial performance of the company by interpreting financial statements such as the balance sheet, income statement, and cash flow statement over a period. The research identifies trends, financial strengths, and weaknesses to provide insights into the company's overall financial health.

- Current Ratio
- Quick Ratio
- Cash Ratio
- Current Assets Turn Over Ratio

This study relies on secondary data obtained from company annual reports, financial statements, audit reports, and relevant industry reports. Additional financial data may be collected from company websites, stock market reports, and government publications. The collected financial data will be analyzed using various financial tools and techniques ratio Analysis (Liquidity ratios, Profitability ratios, Solvency ratios, etc.) trend Analysis to observe financial performance over multiple years comparative Financial Statements to compare different periods common Size Analysis to understand the proportion of different financial components.

DATA ANALYSIS AND INTERPRETATION

Current ratio is the ratio of current assets to current liabilities. Normal operating cycle of the business or within one year, whichever is longer, they include cash in hand and bank, bills

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receivable, net sundry debtors, stock of raw materials, finished goods and short term or temporary investments.

$$\text{CURRENT RATIO} = \frac{\text{CURRENT ASSETS}}{\text{CURRENT LIABILITIES}}$$

Table -1: Current Ratio

Financial Year	Current Assets (Rs in Lakhs)	Current Liabilities (Rs in Lakhs)	Current Ratio (Times)
2019-20	67700	101150	0.67
2020-21	116500	103500	1.13
2021-22	101500	100900	1.01
2022-23	183000	126400	1.45
2023-24	170500	100700	1.69

Source: Secondary Data

Table 1 explains improved significantly, rising from 0.67 in 2019-20 to 1.69 in 2023-24. This indicates a strengthened liquidity position, with the company becoming increasingly capable of covering its short-term liabilities. Initially facing potential liquidity issues, the company now demonstrates robust financial health and stability, reflecting effective management of its current assets and liabilities. The current ratio increased from 0.67 in 2019-20 to 1.69 in 2023-24. A small decline was seen in 2021-22, but it improved again in the following years. This shows the company's short-term financial position has become stronger over time.

Quick Ratio

Quick Ratio is used as a measure of the company's ability to meet its current obligations since bank overdraft is secured by the inventories, the other current assets must be sufficient to meet other current liabilities. It indicates whether the firm is in a position to pay its current liabilities within a month or immediately Liquid Assets includes: (a) Cash in hand (b) Cash at Bank (c) Short-term investments.

$$\text{QUICK RATIO} = \frac{\text{LIQUID ASSETS}}{\text{CURRENT LIABILITY}}$$

Table -2: Quick Ratio

Financial Year	Current Assets (Rs in Lakhs)	Inventory (Rs in Lakhs)	Current Liabilities	Quick Ratio
2019-20	67700	14000	101150	0.53
2020-21	116500	20000	103500	0.93
2021-22	101500	30000	100900	0.70
2022-23	183000	40000	126400	1.13
2023-24	170500	60000	100700	1.09

Source: Secondary Data

Above table explains the quick ratio, which excludes inventory from current assets to assess a company's ability to meet short-term liabilities, shows notable improvement over the five-year period. Starting at a concerning 0.53 in 2019-20, indicating potential liquidity issues, the ratio

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improved to 0.93 in 2020-21 and 0.70 in 2021-22, reflecting gradual strengthening. By 2022-23, the ratio reached 1.13, and in 2023-24, it settled at 1.09, both above the crucial threshold of 1. The quick ratio rose from 0.52 in 2019-20 to 1.09 in 2023-24, showing improvement in liquidity. There were fluctuations, with a dip in 2021-22 (0.70) after a peak in 2020-21 (0.93). Overall, the company's ability to cover short-term liabilities without inventory has strengthened.

Cash Ratio

The cash ratio is a liquidity measure that shows a company's ability to pay off its short-term liabilities using only its most liquid assets—cash and cash equivalents. It's the most conservative liquidity ratio because it excludes receivables and inventory. A higher cash ratio means the company is in a strong position to cover immediate debts, but too high may also suggest idle cash. A low ratio may signal liquidity risk.

$$\text{CASH RATIO} = \frac{\text{CASH AND CASH EQUIVALENTS}}{\text{CURRENT LIABILITIES}}$$

Table -3: Cash Ratio

Financial Years	Cash	Current liabilities	Ratio
2019-20	1000	101150	0.01
2020-21	2500	103500	0.02
2021-22	4000	100900	0.04
2022-23	5000	126400	0.04
2023-24	8500	100700	0.08

Source: Secondary Data

Above table explains the cash ratio measures a company's ability to pay off short-term liabilities with its cash and cash equivalents. Over the years, the cash ratios of 0.01, 0.02, 0.04, 0.04, and 0.08 show a gradual improvement in liquidity. Despite this positive trend, the ratios remain low, indicating that the company still has limited cash reserves relative to its short-term liabilities. This suggests ongoing liquidity challenges, and the company should continue to strengthen its cash position to ensure it can meet its short-term obligations more comfortably.The financial metric showed gradual growth from 2020 to 2022. It remained almost constant between 2022 and 2023. A significant rise occurred from 2023 to 2024.

Current Assets Turn Over Ratio

The ratio is calculated by dividing sales into current assets. The ratio expressed the number of times the current assets are being turnover in a stated period. The ratio shows how well the current assets are being used in business.

$$\text{Current Assets Turn Over Ratio} = \frac{\text{SALES}}{\text{CURRENT ASSETS}}$$

Above table 4 explains In the table past five-year period, the ratio shows significant fluctuations. In 2019- 20, the ratio was 2.1, indicating strong efficiency. However, it decreased to 1.6 in 2020-21 and further to 1.5 in 2021-22, suggesting a decline in asset utilization efficiency. The ratio

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dropped sharply to 0.7 in 2022-23, indicating poor efficiency as sales fell relative to current assets. By 2022-23, the ratio improved to 1.2, reflecting a partial recovery.

Table -4: Current Assets Turn Over Ratio

Financial Year	Sales	Current Assets	Current Assets Turn Over Ratio
2019-20	140000	67700	2.1
2020-21	185000	116500	1.6
2021-22	150000	101500	1.5
2022-23	120000	183000	0.7
2023-24	200000	170500	1.2

Source: Secondary Data

The company's efficiency in using current assets to generate sales has varied, with notable inefficiency in 2022-23 but a trend towards improvement by 2023-24. The company experienced a notable decrease in its current assets turnover ratio in the fiscal year 2022-23, reaching a low of 0.7. This decline suggests a period of less efficient utilization of current assets compared to previous years. However, the ratio shows a significant recovery in the subsequent year (2023-24), indicating improved asset management or increased sales relative to current assets.

ANALYSIS OF FINDINGS

After proper analysis of the financial position of these with the help of tools. Of financial analysis the following analysis. Things are found during the study. In the year 2018 - 19 to 2022 - 23 The company current ratio is Increased that is 0.67,1.13,1.01,1.45,1.69. In the year 2018 to 19. The Quick ratio is increased that is 0.53,0.93,0.70,1.13,1.09. In the year 2000 and 18 to 19 current assets turnover ratio is decreased that is 2.1,1.6,1.5,0.7,1.2. In the year 2000 and 18 to 19 gross profit margin decrease that is 0.7,0.7,0.4,0.3,0.4. The working capital turnover ratios of 6.1, 13.0, 33.3, 3,0, and 3.1 indicate varying levels of efficiency in using working capital to generate sales. Ratios of 13.0 and 33.3 suggest very high efficiency, while 3.0 and 3.1 indicate lower efficiency. The current assets turnover ratios of 4.5, 4.4, 2.6, 1.1, and 1.5 indicate varying levels of efficiency in using current assets to generate sales.

RECOMMENDATIONS

Managers

Based on the ratio analysis, The Apex footwear pvt ltd should focus on improving its liquidity by managing current assets and liabilities efficiently. Low profitability ratios suggest the need to control operational costs and boost revenue. If the debt-equity ratio is high, it's important to reduce debt and increase equity funding. The management should improve inventory turnover through better stock control. A low asset turnover ratio indicates under-utilization of assets, which should be addressed. Receivables turnover can be improved by enforcing strict credit policies. Return on equity can be increased by investing in profitable ventures. Management should regularly review

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financial ratios to track performance. Strategic decisions must be based on accurate financial analysis. Timely action will ensure the company's financial health and long-term growth.

Policy Makers

Policy makers should encourage businesses to adopt regular ratio analysis for financial transparency. They must develop guidelines to ensure consistent financial reporting standards. Training programs can be introduced to help firms interpret financial ratios effectively. Policies should promote timely auditing to detect financial weaknesses early. Incentives can be given to companies maintaining healthy liquidity and solvency ratios. Policy makers must ensure that credit policies are regulated to avoid excessive debt. Benchmarks for key financial ratios can be established industry-wise. Support should be extended to SMEs for financial literacy and ratio-based planning. Technology-driven tools for ratio analysis can be promoted. Overall, policy initiatives should aim to strengthen financial decision-making across all sectors.

Industry Development

For industry development, businesses should regularly use ratio analysis to assess financial health and performance. Industries must adopt standardized accounting practices to ensure accurate ratio comparisons. Investment in financial training for staff will improve analysis and decision-making. Encouraging digital tools and automation can speed up financial evaluations. Industries should benchmark key ratios against top-performing companies. Collaboration with financial institutions can help improve capital structure through better debt-equity management. Monitoring profitability ratios can guide pricing and cost control strategies. Efficient asset and inventory management should be a priority to boost turnover ratios. Industries should also focus on liquidity to ensure smooth operations. Overall, ratio analysis should be integrated into strategic planning for sustainable industry growth.

Scholarly Contribution

Scholars should conduct in-depth research on the effectiveness of various financial ratios in different industries. Comparative studies across sectors can enhance understanding of ratio benchmarks. Academic contributions can help develop new or modified ratios tailored to modern business models. Researchers should analyze the relationship between financial ratios and long-term business sustainability. Case studies on successful and failed companies can provide valuable insights. Scholarly work can bridge the gap between theoretical knowledge and practical application of ratio analysis. Contributions should also focus on integrating ratio analysis with modern technologies like AI and data analytics. Publishing findings in journals can guide future researchers and practitioners. Collaboration with industries can bring real-world relevance to academic work. Overall, scholarly efforts should aim to improve the accuracy, relevance, and application of ratio analysis in financial decision-making.

Scope for further study

Further study in ratio analysis can explore the integration of advanced technologies like AI and big data for more accurate financial assessments. Research could focus on developing industry-specific ratios tailored to unique business environments. The impact of ESG factors on financial ratios is a growing area of interest. Future studies may also analyze the effectiveness of ratios in

ISSN: 2583-276X (Online)
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assessing financial performance during economic crises. Additionally, the potential for improving existing ratios to better reflect modern business practices offers significant research opportunities.

Limitations

Ratio analysis for Apex footwear pvt ltd has several limitations, including its reliance on historical data, which may not reflect current or future financial conditions. The interpretation of ratios can be subjective, leading to varying conclusions. Additionally, ratio analysis doesn't account for non-financial factors like market conditions or employee performance, which are crucial to the company's success. It also ignores the impact of one-time events, which can distort financial results. Finally, comparing ratios to industry standards can be misleading if the company's business model or market conditions are significantly different.

CONCLUSION

Financial statement analysis helps to evaluate past performance present conditions and future prospects of the business company's financial position financial statement contains lot of information. After completion of the analysis, it was concluded that, the overall financial performance of the company was good, but they have to concentrate little bit on debtor's turnover ratio (period of debt), which will enhance the liquidity position of the company. It's suggested to the company to maintain effective cash management effectively current turnover ratio. effectively working capital turnover ratio and improve the gross profit ratio reducing operating expenses improving net profit ratio by controlling operating and non- operating expenses and interest on long term debt so that the company can improve its performing in above said findings &draw backs.

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